

# **AFR** Americans for Financial Reform

July 10, 2019

Dear Chairwoman Waters,

The 84 undersigned consumer, civil rights, labor, and community organizations write to express our support for the following package of bills around credit reporting:

- HR 3614 Restricting Use of Credit Checks for Employment Decisions Act
- HR 3618 Free Credit Scores for Consumers Act
- HR 3621 Student Borrower Credit Improvement Act
- HR 3622 Restoring Unfairly Impaired Credit and Protecting Consumers Act
- HR 3642 Improving Credit Reporting for All Consumers Act
- HR 3629 Clarity in Credit Score Formation Act

Credit reports and credit scores play a critical role in the economic lives of Americans. They are the gatekeeper for affordable credit, insurance, rental housing, and sometimes unfortunately even a job. Yet they suffer from unacceptable rates of inaccuracy. This package would enact a sea change that would make the American credit reporting system more accurate and fairer to consumers.

The Federal Trade Commission's definitive study showed that 21% of consumers had verified errors in their credit reports, 13% had errors that affected their credit scores, and 5% had errors serious enough to cause them to be denied or pay more for credit.<sup>1</sup> Trying to fix these errors can be a Kafka-esque nightmare in which the Big Three nationwide consumer report agencies (CRAs) –Equifax, Experian and TransUnion - consistently favor the side of the creditor or debt collector (“the furnisher”) over the consumer.

The American credit reporting systems suffers from a number of other flaws and defects. Consumers are unfairly penalized by negative credit reporting when they have been the victim of abusive practices, such as predatory mortgages or student loans resulting from for-profit school fraud, or due to circumstances out of their control, such as temporary job loss, illness, or financial abuse by a family member. Healthcare bills contribute greatly to credit reporting harms, with over 50% of debt collection items resulting from medical debt.

Consumers also lack the right to a free annual credit score. Furthermore, many consumers who attempt to obtain a free annual credit report or to obtain their scores are misled into purchasing high-priced credit monitoring or other subscription services. These services are also marketed to prevent identity theft, yet they are far less effective in doing so than a security freeze.

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<sup>1</sup> Federal Trade Comm'n Report to Congress Under Section 319 of the Fair and Accurate Credit Transactions Act of 2003 (Dec. 2012), available at <http://www.ftc.gov/sites/default/files/documents/reports/section-319-fair-and-accurate-credit-transactions-act-2003-fifth-interim-federal-trade-commission/130211factareport.pdf>.

This legislation comprehensively addresses all of these abuses, and more. This package of bills would:

**Fix the broken system for credit reporting disputes** by (1) giving consumers a new right to appeal the results of initial disputes; (2) requiring CRAs and furnishers of information to dedicate sufficient resources and provide well-trained personnel to handle disputes; (3) requiring CRAs to conduct an independent analysis of disputes, separate from that of the furnisher; and (4) requiring furnishers to retain records for the same time period that negative information remains on reports.

**Improve credit reporting accuracy** by directing the Consumer Financial Protection Bureau (CFPB) to establish accuracy regulations, including requiring CRAs to better monitor furnishers for high error rates and to use stricter criteria to match information from a lender to a consumer's file, preventing the worst type of credit reporting error, the "mixed file."

**Restrict the use of credit information for employment** by limiting it to two narrow instances — when required by local, state or federal law or for national security clearances. This will severely limit a practice that discriminates against the long-term unemployed, has a disparate impact on communities of color, and has very little evidence demonstrating its effectiveness in predicting job performance.

**Help victims of abusive lending and overly punitive negative reporting practices** by (1) reducing the current overlong retention periods that adverse credit information remains on reports to four years (seven years for bankruptcies); (2) allowing borrowers victimized by the unfair, deceptive or abusive practices of mortgage lenders or servicers to have adverse mortgage-related information removed; and (3) requiring the removal of negative information about private education loans that were obtained to attend for-profit colleges found to have engaged in unfair or deceptive practices.

**Protect consumers from the unfair impact of medical debt** by prohibiting CRAs from including medical collections on reports until 365 days from the date of first delinquency and prohibiting the reporting of any debt for medically necessary procedures. This will ensure that consumers have time to resolve their complex, confusing medical bills. The bill also mandates that all paid or settled debt, including medical collections, be removed within 45 days from reports.

**Help consumers understand their creditworthiness** by giving consumers the right to a free credit score at the same time that they obtain their free annual consumer report. The bill also creates several new instances in which consumers are entitled to receive both free reports and scores, including requiring auto, private education and mortgage lenders to provide prospective loan borrowers the same free reports and scores that the lenders used in their decision-making before consumers sign those loan agreements.

**Address misleading marketing of credit monitoring subscriptions and increase access for security freezes to prevent identity theft** by (1) prohibiting the misleading practice of automatically converting free trial periods into paid, monthly subscription services by requiring

CRA to provide explicit opt-ins at the end of the promotions and (2) providing free credit freezes for security breach victims and vulnerable consumers, and capping the cost for all other consumers.

**Give a second chance to struggling private education loan borrowers** by allowing them to rehabilitate impaired credit records through requiring removal of adverse information about delinquent or defaulted loans if they are able to make nine out of ten on-time, monthly payments.

**Correct provisions in last year's deregulatory law**, S2155, that unwisely preempted states from further improvements to the credit freeze laws and provided servicemembers with a credit monitoring right without a remedy.

These credit reporting reforms are urgently needed in order to ensure that consumers are treated fairly and that the credit reporting system that underlies so many daily transactions works better for the public.

We look forward to working with you to swiftly pass this package to better protect consumers.

Thank you for your attention. If you have any questions about this letter, please contact Chi Chi Wu ([cwu@nclc.org](mailto:cwu@nclc.org)) at (617) 542-8010.

Sincerely,

Americans for Financial Reform  
A2Z Real Estate Consultants  
African American Health Alliance  
Alaska Public Interest Research Group  
Allied Progress  
Arkansas Community Organizations  
BREAD Organization  
CAFE Montgomery MD  
Center for Digital Democracy  
Cleveland Jobs with Justice  
Community Action Human Resources Agency (CAHRA)  
Congregation of Our Lady of the Good Shepherd, US Provinces  
Connecticut Fair Housing Center  
Consumer Action  
Consumer Federation of America  
Consumer Federation of California  
Consumer Reports  
CWA Local 1081  
Delaware Community Reinvestment Action Council, Inc.  
Demos  
Denver Area Labor Federation  
East Bay Community Law Center  
FAITH IN TEXAS

Famicos Foundation.  
FLARA  
Florida Alliance for Consumer Protection  
Greater Longview United Way  
Groundcover News  
Habitat for Humanity of Camp Co, TX  
Hawaiian Community Assets  
Housing Action Illinois  
Housing and Family Services of Greater New York, Inc.  
Mary House, Inc.  
Maryland Consumer Rights Coalition  
Miami Valley Fair Housing Center, Inc.  
Mobilization for Justice Inc.  
Montana Organizing Project  
Multi-Cultural Real Estate Alliance For Urban Change  
National Advocacy Center of the Sisters of the Good Shepherd  
National Association of Consumer Advocates  
National Association of Social Workers  
National Association of Social Workers West Virginia Chapter  
National Center for Law and Economic Justice  
National Consumer Law Center (on behalf of its low-income clients)  
National Fair Housing Alliance  
National Housing Law Project  
National Housing Resource Center  
National Rural Social Work Caucus  
New Economics for Women  
New Jersey Citizen Action  
New Jersey Tenants Organization  
New York Legal Assistance Group  
North Carolina Council of Churches  
Partners In Community Building, Inc.  
PathWays PA  
Pennsylvania Council of Churches  
People Demanding Action  
Progressive Leadership Alliance of Nevada  
Project IRENE  
Prosperity Now  
Public Citizen  
Public Justice Center  
Public Law Center  
Public Utility Law Project of New York  
Rocky Mountain Peace and Justice Center  
SC Appleseed Legal Justice Center  
Sisters of Mercy South Central Community  
Society of St. Vincent de Paul  
St. Paul UMC

Tennessee Citizen Action  
The Center for Survivor Agency and Justice  
The Disaster Law Project  
The Greenlining Institute  
The Leadership Conference on Civil and Human Rights  
THE ONE LESS FOUNDATION  
Tzedek DC  
U.S. PIRG  
Urban Asset Builders, Inc.  
Virginia Citizens Consumer Council  
Virginia Poverty Law Center  
West Virginia Center on Budget and Policy  
Wildfire  
Woodstock Institute  
WV Citizen Action Group